

SENATOR V. JOHNSON: But it is a very technical rule.

SENATOR HIGGINS: I know it is. I've spent 20 years in the insurance industry and I've never heard of it.

SENATOR V. JOHNSON: Senator DeCamp says he can answer it, so I'd have Senator DeCamp do it. Senator DeCamp tells me it compares with the Rule of 78's.

SENATOR HIGGINS: Well, the Rule of 78's we know works in favor of the bankers and the financiers. The Rule of 78's makes you think you are paying a lower percent of interest than you are actually paying.

SENATOR V. JOHNSON: Okay, I can explain the rule. I have very competent staff. I am blessed in having competent staff. On group insurance policies the question is always where...to what state should group premiums be allocated, to what state should group premiums be allocated. Okay?

SENATOR HIGGINS: To what state should group premiums be allocated?

SENATOR V. JOHNSON: That is the question on group insurance policies, to what state should group premiums be allocated. And the rule has evolved over the years and is now in place in statute in a variety of states that where the group insurance is written shall be the state that takes the allocation of the premium provided, however, that will not occur when there are more than 500 lives in the group. Five hundred is the magic threshold figure. When there are more than 500 people in the group, at that point then the group premium allocation is broken out by state where the members reside.

SPEAKER NICHOL: One minute.

SENATOR V. JOHNSON: And this little technical amendment changes the word "residents" to "lives", and the reason why is that that is the way it's always been in other states. It doesn't change the Rule of 500. It just simply makes this little law, this little provision conform to the way it always is in other states.

SENATOR HIGGINS: So that if you had a small company...